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AGRICULTURAL OUTLOOK DIGEST

Approved by the Outlook and Situation Board, July 26, 1974

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WORLD FOOD SUPPLIES MAY CONTINUE TIGHT

The world looks to farmers to produce more food each year to keep up with population growth and rising affluence. This year more food is also needed to replenish seriously depleted food reserves and to ease some of the pressures that have been holding food prices at record levels.

This is a preliminary look at how the world food situation is shaping up for 1974/75. Since the season discussed began July 1, except for a few early harvests in May and June, as yet we have firm production estimates for only a few crops. Assessments of crops to be harvested this summer and fall rely on our current knowledge of how much is being planted and the impact of weather so far on crop development. Delays in U.S. planting this spring make this early assessment especially tentative.

FOOD PRODUCTION RISING

Production of both crops and livestock around the world may rise in 1974,relieving the super-tight tension between food demand and supplies a little. The weather has been troublesome this spring and summer in the United States, Canada, and India but the global grain production levels currently envisioned could set a record, remain above the long-term output trend and allow for modest improvement in food reserve levels during 1974/75.

Weather Scores in Round One

Round one of 1974/75 took place as farmers prepared to plant this spring. Massive acreage increases were planned in the United States and elsewhere to ensure a good boost in production. American farmers, for example, after boosting their harvested acreage sharply to 318 million in 1973, were tooling up for a 1974 harvest that seemed likely to top 330 million acres.

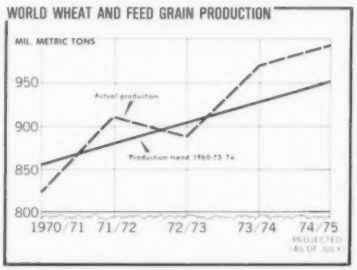
Weather early in the U.S. planting season was excellent, but that situation proved short-lived. Rains ensued in May and June across the Corn Belt and up into spring wheat country while the Southwest stayed dry, reducing grain, soybean, and cotton acreage below farmers' early plans, and cutting into prospective yields as well. Then dry weather hit much of the Corn Belt.

Weather has been challenging farmers elsewhere. Rains sharply curtailed Canadian spring wheat planting. Dryness has plagued the Scandinavian peninsula. In Eastern Europe, a wet spring and summer followed a dry winter. Farther east, parts of Asia have been slighted by rain. Current dry conditions in parts of the People's Republic of China have not been relieved by below-average July rains. India's monsoon rains, the basis for summer crops, got off to a poor start but did pick up in early July. Still, this is a spot to watch this summer.

Round Two: U.S. Looms Large

Round two, the harvesting of 1974 crops, has begun. Whether or not this harvest provides a comfortable margin over expected food use seems to ride on the United States. Here's why:

Grain is the mainstay crop for food and feed supplies. Wheat and feed grains contribute about three-fourths of world grain production. When current prospects for 1974 wheat and feed grain crops around the globe are totaled, they come out to 984 million metric tons. That projected figure is 18-19 million tons—about 2 percent—more than last year's actual production, and mostly reflects a 15-million ton gain expected for U. S. grain crops.



Prospective wheat and feed grain crops in the USSR as of early July were expected to fall short of the 1973 record. Together, the United States and the USSR produce about 45 percent of the world grain output. Between early June and early July, prospects for U.S. grain crops fell about 22 million tons while those for the USSR strengthened 10 million tons, partly offsetting our losses in the world total.

Just exactly how our grain production will turn out is still an open question. Spring planting was delayed

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Agricultural Outlook Digest is published by the Economic Research Service, U.S. Department of Agriculture.

so long that the national survey to determine planted acreage around June 1 may have been too early to accurately guage final plantings. The Crop Production Report to be issued August 12 by USDA will give a much better picture of how much we planted and of our prospective grain, soybean, and cotton production.

Rice contributes about a fourth of world grain production. Our own crop is forecast around a fifth larger than last year's 93 million hundredweight. Except possibly in India and Thailand, climatic conditions for rice crop appear favorable through most of Asia, and above average in Southeast Asia.

Although little is yet known about Chinese crops, if current rainfall persists, total grain production could be less than the 1973 record crop.

Round Three:

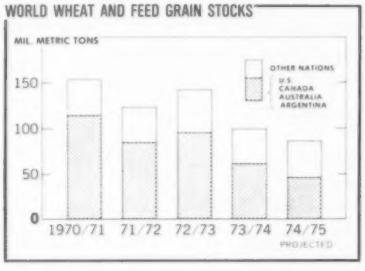
Supply and Demand Square Off

The toughest question to assess concerning 1974/75 is how food supply and demand will balance. World trade will be influenced by the impact of economic slowdowns on food demand and by how much, given high food prices, the less developed countries can afford to pay. Assuming that the projected wheat and food grain harvest of 984 million tons turns out, here are the prospects on the supply side:

—Wheat production of nearly 370 million tons may be large enough to permit a slight recovery in world reserves by next summer, including a near-doubling in our own very low stocks. World trade in wheat may be a little smaller during 1974/75, particularly with smaller Russian imports.

—A record feed grain crop projected at 614 million tons accounts for most of the prospective gain in combined world wheat and feed grain output for 1974/75. However, the outcome rides largely on our own corn crop. If the world feed grain forecast is realized, it could be enough to boost feed grain stocks over a tenth.

WORLD WHEAT AND FEED GRAIN STOCKS



—Rice supplies will remain very tight until world crops are in. Fortunately, most of Asia's rice crop does not depend heavily on fertilizer. About one acre in eight in Asia is planted to the high-yielding miracle varieties, most vulnerable to yield losses from short fertilizer supplies.

MORE BEEF AND MILK

Another plus factor in food supplies is happening in the livestock sector. World beef production appears to be increasing 6 percent for calendar year 1974, while dairy production is forecast up by 2 percent. Oddly enough in a world worried about feeding itself, these pluses are minuses in many of the nations where gains are occurring: In terms of marketplace demand, beef and milk are suddenly in over-abundant supply and prices are under downward pressure.

Many countries are slamming gates against meat imports. Most recently, the European Community, which ordinarily buys one-third of world beef imports, halted beef imports until October. These import limits keep retail meat prices high, retarding increased meat consumption.

Since 1972, we have suspended restraints on meat imports. Even so, we estimate that U.S. imports of meat in quota categories during 1974 will be down a tenth from last year and the lowest since 1971.

WORLD PRODUCTION AND TRADE OF MAJOR CROPS

Commodity	Unit	1971/72	1972/73	1973/74 est.	1974/85 forecast based on late-June conditions
Wheat					
Area	mil. hect.	211.5	208.6	217.9	228.2
Production	mil. MT	341.4	333.6	367.4	369.0
Trade	mil. MT	58.5	72.2	70.2	69.1
Feed Grains					
Area	mil. hect.	263.6	261.2	272.9	269.8
Production	mil. MT	563.0	546.6	597.8	614.8
Trade	mil. MT	54.2	63.4	72.9	70.7
Rice					
Area	mil. MT	133.5	129.6	133.2	133.0
Production	mil. MT	299.4	285.9	308.6	310.0
Trade[1]	mil. MT	7.4	6.5	7.4	7.5
Total Grains					
Area	mil. hect.	608.6	599.4	624.0	631.0
Production	mil. MT	1,203.8	1,166.1	1,277.1	1,293.8
Trade	mil. MT	120.1	142.1	150.0	147.3
Oilseeds					
Area	mil. hect.	73.6	75.0	80.6	81.0
Production	mil. MT	81.7	81.4	96.3	95.9
Trade[2]	mil. MT	20.4	22.8	25.6	27.2

[1] Milled basis. [2] Meal Basis.

WORLD CROP ROUNDUP

As of mid-July, here is a look at the status of agriculture in key countries—those which account for major shares of world food production, and those with potentially large food import needs. Fulfillment of the 1974/75 world food situation outlined above rests on the agricultural performance of the countries.

United States

Even with the currently reduced crop prospects, we expect to harvest enough grain in 1974 for our domestic use and for maintaining exports as well. Because of supply uncertainties caused by late planting and hot, dry weather, July projections of fall-harvested crops were made in ranges. August will bring firmer estimates on the production side.

Weather and disease reduced the winter wheat harvest. Spring wheat plantings dropped 1.8 million acres from March intentions. Considering a total crop estimated at 1.9 billion bushels and the smallest carryin in 25 years, supplies for 1974/75 marketing are estimated to be near the 2.14 billion bushels of 1973/74. Prices could be high enough to dampen demand, particularly for domestic wheat feeding to livestock; so less wheat will be used than last season and carryout stocks could rise to around 400 million bushels.

With acreage up a tenth and near-perfect weather boosting yields, a record rice crop of 112-115 million hundredweight is forecast. Sharply higher supplies would allow for the uptrend in domestic use, record exports of 61 million hundredweight, and a huge carryout of roughly 20 million hundredweight when 1974/75 ends.

July 1 feed grain stocks were the smallest in two decades. Since feed grain acreage for harvest is a little higher than last year, yield outcomes will spell the difference between a really tight supply or one with some leeway to ease pressures and start rebuilding stocks.

With questions still to be answered about both the planting level and the yield outcome, the soybean supply picture is extra-uncertain. Supplies are currently projected 100-200 million bushels below last season with repercussions for oil and meal supplies. Soybean prices have moved up sharply since late June and will continue high and fluctuating.

Soviet Union

USDA in early July projected a gross grain crop of about 215 million metric tons versus the mid-June figure of 205 million tons. Soviet farmers are being urged to equal to the record 222.5 million tons produced in 1973, but weather will have to be better than normal to achieve a crop of this size.

Soviet grain trade had changed drastically in the past 8 years. During 1966-70, the USSR was a net exporter but 1971-73 showed them importing again. In the past three trade years these net grain imports have been going to supplement available domestic supplies to keep the livestock industry on the expansion track. The Soviet Union may import only 3.5 million metric tons in 1974/75, down considerably from the 9.4 million metric tons purchased during 1973/74. It appears that the Soviet Union will return to being a net exporter in 1974/75.

Item	1971/72	1972/73	1973/74 Est.	1974/75 Proj.
	Million tons	*Million tons*	*Million tons*	*Million tons*
Total USSR Grain				
—Exports	+6.7	+1.3	+5.5	+5.0
—Imports	-8.0	-21.2	-9.8	-3.5
—Net trade[1]	-1.3	-19.9	-4.3	+1.5
(Excludes rye and rice				

[1] Plus equals net exports and minus, net imports.

Canada

After heavy spring rains delayed spring seeding, about 24 million acres were planted to wheat, down 800,000 acres from last year. Even so the crop may reach 16.5-17 million metric tons, compared with 17.1 million in 1973. Feed grain and oilseed acreage may match last year. Canada may have more wheat—around 12.1 million tons—and about the same amount of feed grains for export than last year. Canadian regulations with respect to DES have virtually eliminated imports of U.S. beef and cattle. Canada is also restricting imports of turkeys and eggs.

Australia

Despite the worst flooding in history in eastern Australia, a 1973/74 wheat crop of 13 million tons, double the prior drought-stricken crop, was harvested. Last year's beef production and this year's cattle numbers were both record large. Wheat exports are expected to double in the current Australian marketing year to 8 million tons. Because of limited access to the Japanese and European Community markets, beef export prospects are poor and export earnings will plunge in 1974.

India

India may need to call for food aid unless weather improves. Good rains last year promoted a near-record food grain harvest. But this monsoon season began with June rainfall averaging 40 percent below normal in major farming regions. Good rains brought relief during early July but crops still hang in the balance. And even without further deterioration in crop prospects, India's grain imports may rise substantially from the 5½ million metric tons of 1973/74.

Africa

In the drought-stricken countries of West Africa, seasonal rains have started, but it is too early to know if rains will be adequate for normal crops.

Early seasonal rains were abundant in many areas of the drought zone of East Africa, promising good 1974 crops, but some localized pockets of drought still exist.

Food supplies in sub-Saharan Africa were boosted last year by world donations of 600,000 tons of grain. This year, 500,000 tons are arriving, half of it from the United States. Nearly all the American grain has arrived in West African ports and we are helping with the logistics of shipping it inland where it's needed.

People's Republic of China

China had a dry winter and spring. Wheat output probably has been reduced and continuing dryness could hurt summer rice crops. Recent purchase from Canada of an extra million tons of wheat may signal intentions to buy more food grain from the West if domestic crops are short. Unless weather improves, Chinese food grain imports could rise during 1974/75.

FOOD CONFERENCE DUE

One forecast can be made with confidence: The rich and poor nations will gather at Rome this November to do some plain talking about the food situation.

There are two basic problems. The first is that the less developed nations, which account for most of the world's population growth, are finding themselves more and more dependent on food imports. They are increasing farm output, but not fast enough to keep up with demand. The second problem is paying for food imports at today's high prices. The costs of imported oil, food, and rapid inflation generally have drained the limited foreign exchange coffers of many less developed countries.

At Rome, solutions to these basic problems will be discussed in terms of:

—Helping less developed countries boost food production as a part of overall economic development;

—Ways of improving food consumption and ensuring adequate food supplies in these countries;

—Strengthening world food security with better information systems, more effective national and international stockholding policies, and improved arrangements for emergency relief and food aid.

—Specific measures in the area of international trade and adjustment including stabilizing and expanding the export markets of the less developed countries.

World food security is a key issue. Right now it's academic because world grain reserves are very low and it looks as if it may take several years to rebuild them. But as they mount, how much should be on hand to provide adequate protection against food shortages? And who should hold these stocks and pay the storage bills?

The U.S. position is that the question of adequate reserve levels should be determined cooperatively, but that an internationally held grain stockpile would not be desirable. Rather, we would like to see some reserves in every country, rich and poor, importer and exporter. This way each country could provide for and manage its own reserves in line with national priorities.

There is also a need for commercial reserve stocks to keep market prices within tolerable bounds when a shortfall develops. The Administration takes the position that U.S. commercial interests—grain producers, mills, processors, and the trade—rather than the U.S. Government—should hold our stocks, to protect their own business self-interests. The cost of such storage will be reflected in the grain price.

World Food Slides

Do you need visual aids depicting the world food situation? A brand new color slide series is available on this subject, complete with an illustrated narrative guide. In 22 frames, it contrasts the food situations of the developed and less developed nations, shows world trade trends, and projects 1985 production of U.S. crops. The text provides a narrative which may be used alone or as a guide for expanded presentation.

Send $10.00 in check or money order to Photography Division, USDA, Washington, D.C. 20250. Two copies of the narrative guide are included in the price.

MORE FERTILIZER

One of the most critical inputs for intensifying world agriculture is fertilizer. This year some less developed countries may not be able to increase fertilizer use at their previous rates because of the tight world situation and higher prices.

Actually, estimated world nitrogen output rose roughly on trend in both 1973 and 1974, mainly because developed countries made an all-out effort to use their fertilizer producing capacity.

The world does not lack the basic resources for producing nitrogen fertilizers. The problem has been a lack of investment in manufacturing facilities. With the spiraling fertilizer prices of the past year, enough new plants have been announced to eventually add over 10 million tons to nitrogen capacity. (The world supply projected for 1975 is 43 million metric tons.)

Considering the new plants already announced, and based on trends of fertilizer use, world supplies could be in surplus by 1978 and remain a little ahead of projected demand by 1980.

Based largely on new capacity, we also foresee phosphate production ahead of consumption later in the 1970's, with a very modest surplus over needs by 1980. There is no foreseeable shortage of the raw materials for phosphate production, although additional investment in phosphate rock mines and particularly transportation may be necessary.

Unlike nitrogen and phosphate, potash has been and should continue to be in adequate supply, provided adequate investments are made.